

82-2553

02 AUG 15 2002

BC FORM 51-901F

QUARTERLY REPORT AND YEAR END REPORT

Incorporated as part of: X Schedule A

 Schedule B & C

SUPPL

ISSUER DETAILS:

NAME OF ISSUER Megastar Development Corp.

ISSUER'S ADDRESS Box 865, #5 - 911 Glover Road, Fort Langley, B.C. V1V 1Z2

ISSUER TELEPHONE NUMBER (604) 888-0786

CONTACT PERSON Peter Haladin

CONTACT'S POSITION Director

CONTACT TELEPHONE NUMBER (604) 888-0786

CONTACT EMAIL ADDRESS N/A WEBSITE ADDRESS N/A

FOR QUARTER ENDED May 31, 2002

DATE OF REPORT July 25, 2002



02049218

CERTIFICATE

PROCESSED

AUG 21 2002

THOMSON
FINANCIAL

THE SCHEDULE(S) REQUIRED TO COMPLETE THIS QUARTERLY REPORT ARE ATTACHED AND THE DISCLOSURE CONTAINED THEREIN HAS BEEN APPROVED BY THE BOARD OF DIRECTORS. A COPY OF THIS QUARTERLY REPORT WILL BE PROVIDED TO ANY SHAREHOLDER WHO REQUESTS IT. PLEASE NOTE THIS FORM IS INCORPORATED AS PART OF BOTH THE REQUIRED FILING OF SCHEDULE A AND SCHEDULES B & C.

"Jerry A. Minni" Jerry A. Minni "02/07/25"
DIRECTOR'S SIGNATURE PRINT NAME IN FULL DATE SIGNED (YY/MM/DD)

"Peter Haladin" Peter Haladin "02/07/25"
DIRECTOR'S SIGNATURE PRINT NAME IN FULL DATE SIGNED (YY/MM/DD)

8/19

MEGASTAR DEVELOPMENT CORP.
CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2002

CONSOLIDATED BALANCE SHEET

CONSOLIDATED STATEMENT OF LOSS AND DEFICIT

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PREPARED BY MANAGEMENT

MEGASTAR DEVELOPMENT CORP.

CONSOLIDATED BALANCE SHEET

MAY 31, 2002

(UNAUDITED)

ASSETS

	May 31 <u>2002</u>	Feb. 28 <u>2002</u>
CURRENT		
Cash	\$ 221	\$ 7,450
Accounts receivable	3,239	2,184
Advance receivable	-	1,340
Prepaid expenses	<u>534</u>	<u>-</u>
	3,994	10,974
RESOURCE PROPERTIES (Note 3)	<u>11,323</u>	<u>11,323</u>
	<u>\$ 15,317</u>	<u>\$ 22,297</u>

LIABILITIES

CURRENT		
Accounts payable and accrued liabilities	\$ 39,971	\$ 40,738
Due to related parties	<u>7,160</u>	<u>-</u>
	<u>47,131</u>	<u>40,738</u>

SHAREHOLDERS' EQUITY

SHARE CAPITAL (Note 4)	4,841,445	4,830,885
DEFICIT	<u>(4,873,259)</u>	<u>(4,849,326)</u>
	<u>(31,814)</u>	<u>(18,441)</u>
	<u>\$ 15,317</u>	<u>\$ 22,297</u>

APPROVED BY THE DIRECTORS:

"Jerry A. Minni"

"Peter Haladin"

The accompanying notes are an integral part of these financial statements.

PREPARED BY MANAGEMENT

MEGASTAR DEVELOPMENT CORP.
CONSOLIDATED STATEMENT OF LOSS AND DEFICIT
FOR THE THREE MONTH PERIOD ENDED MAY 31, 2002
(UNAUDITED)

	3 months ended May 31	
	<u>2002</u>	<u>2001</u>
EXPENSES		
Administration	\$ 6,000	\$ 6,000
Bank charges	25	-
Filing fee	2,321	370
Management fees	7,500	7,500
Office and miscellanies	134	576
Professional fees	3,090	1,200
Project evaluation	-	14,230
Promotion and travel	454	-
Shareholder information	2,440	-
Telephone	810	267
Transfer agent	<u>1,159</u>	<u>1,664</u>
NET LOSS FOR THE PERIOD	(23,933)	(31,807)
DEFICIT, BEGINNING OF PERIOD	<u>(4,849,326)</u>	<u>(4,591,627)</u>
DEFICIT, END OF PERIOD	<u>\$ (4,873,259)</u>	<u>\$ (4,623,434)</u>

The accompanying notes are an integral part of these financial statements.

PREPARED BY MANAGEMENT

MEGASTAR DEVELOPMENT CORP.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTH PERIOD ENDED MAY 31, 2002
(UNAUDITED)

	3 months ended May 31	
	<u>2002</u>	<u>2001</u>
OPERATING ACTIVITIES		
Net loss for the period	\$ (23,933)	\$ (31,807)
Non-cash working capital items	<u>6,144</u>	<u>31,516</u>
	<u>(17,789)</u>	<u>(291)</u>
FINANCING ACTIVITIES		
Proceeds from shares issued	<u>10,560</u>	<u>-</u>
INVESTING ACTIVITIES		
Increase in resource properties	<u>-</u>	<u>(158)</u>
DECREASE IN CASH	(7,229)	(449)
CASH, BEGINNING OF PERIOD	<u>7,450</u>	<u>1,493</u>
CASH, END OF PERIOD	<u>\$ 221</u>	<u>\$ 1,044</u>

The accompanying notes are an integral part of these financial statements.

PREPARED BY MANAGEMENT

MEGASTAR DEVELOPMENT CORP.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2002

(UNAUDITED)

1. NATURE OF OPERATIONS

The Company is a development stage public Company whose shares trade on the TSX Venture Exchange. The Company is in the process of exploring its mineral property and has not yet determined whether this property contains mineral reserves that are economically recoverable. The continued operations of the Company and the recoverability of the amounts shown for the mineral property and related deferred costs is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and upon future profitable production or sale thereof.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, on the assumption that the Company is a going concern.

Because a precise determination of certain assets and liabilities is dependent on future events, the preparation of the financial statements involves the use of estimates based on careful judgment. The financial statements have, in management's opinion, been prepared within reasonable limits of materiality using the significant accounting policies noted below:

a) Principles of Consolidation

These financial statements include the accounts of Megastar Development Corp. and its wholly-owned subsidiary 1055019 Ontario Limited, ("Ontario Co."). All intercompany transactions have been eliminated.

b) Foreign Currency Translation

Foreign currency transactions are translated into Canadian dollars using the temporal method. Under this method, monetary items are translated at the balance sheet date exchange rate and non-monetary items are translated at the historical exchange rate. Revenue and expense items are translated at the exchange rates prevailing at the transaction date. Gains or losses arising from the transactions are included in operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

c) Resource Properties – continued

The Company defers the cost of acquiring, maintaining its interest, exploring and developing mineral properties until the properties are brought into production, at which time the deferred costs are to be amortized on a unit of production basis, or until the properties are abandoned or sold, at which time the deferred costs are written off. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

The amounts shown as resource properties, which include deferred exploration costs, represent unamortized costs to date and do not necessarily reflect present or future values.

d) General and Administrative Expenses

The Company charges all general and administrative expenses not directly related to exploration activities to operations as incurred.

e) Fair Market Value of Financial Instruments

The carrying value of cash, accounts receivable, prepaid expenses, accounts payable and amounts due to or by related parties approximate fair market value because of the short maturity of those instruments.

f) Loss per Share

Loss per share is not presented as this information is not considered meaningful at the Company's current stage of operations.

3. RESOURCE PROPERTIES

	May 31, <u>2002</u>	Feb 28, <u>2002</u>
Otish Mountain Claim, Quebec		
Acquisition costs	\$ 10,000	\$ 10,000
Deferred exploration costs	<u>1,323</u>	<u>1,323</u>
	<u>\$ 11,323</u>	<u>\$ 11,323</u>

3. RESOURCE PROPERTIES - continued

a) Simkar Property, Quebec, Canada

By agreement dated July 10, 1996, and amended December 31, 1996 and January 13, 1997 the Company acquired 100% of the issued shares of Ontario Co. As consideration, the Company issued 360,001 special warrants at a price of \$1.388885 per warrant and issued 42,453 common shares at a price of \$1.06 per share as a finder's fee. Ontario Co's assets consist of two mining concessions totaling 557 acres located in Louvicourt Township, Quebec. During the year ended February 28, 2001, management of the Company wrote down the property by \$802,025 to its net recoverable value of \$30,000. During the year ended February 28, 2002 management of the Company wrote down the property by \$30,000 to an estimated value of Nil.

b) Jasper Mineral Claim, British Columbia, Canada

By an agreement dated January 18, 2001, the Company acquired a 100% undivided interest in the Jasper mineral claim consisting of 12 units located in the Nanaimo Mining District of British Columbia for cash consideration of \$47,500. During the year ended February 28, 2002, the Company wrote down this property by \$47,500.

c) Cyndi Mineral Claim, British Columbia, Canada

By agreement dated February 28, 2001, the Company acquired a 100% undivided interest in the Cyndi mineral claim consisting of 16 units located in the Nanaimo Mining District of British Columbia. As consideration, the Company issued 120,000 common shares at \$0.16 per share. During the year ended February 28, 2002, the Company wrote down this property by \$19,200.

d) Otish Mountain Property, Quebec, Canada

During the year ended February 28, 2002, the Company acquired a 100% interest in 2,500 hectares in Otish Mountain region of Quebec from Quebec Ministry of National Resources for cash of \$10,000.

MEGASTAR DEVELOPMENT CORP.
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2002
(UNAUDITED)

Page 4

4. SHARE CAPITAL

a) Authorized

100,000,000 Common shares without par value.

b) Issued and Fully Paid

	Number of <u>Shares</u>	<u>Amount</u>
Balance, February 28, 2001	4,877,020	\$ 4,649,747
Issued pursuant to exercise of stock options	220,000	26,400
Issued pursuant to a private placement	1,430,000	185,900
Share issuance costs	<u>-</u>	<u>(31,162)</u>
Balance, February 28, 2002	6,527,020	\$ 4,830,885
Issued pursuant to exercise of stock options	<u>88,000</u>	<u>10,560</u>
Balance, May 31, 2002	<u>6,615,020</u>	<u>\$ 4,841,445</u>

c) Shares Held in Escrow

As at May 31, 2002, 131,250 shares of the Company are subject to an escrow agreement and may not be transferred, assigned or otherwise dealt with without regulatory consent.

d) Stock Options

As at May 31, 2002, the following stock options are outstanding:

<u>Number of shares</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
218,000	\$0.12	December 29, 2005
326,351	\$0.10	February 6, 2007
<u>100,000</u>	<u>\$0.14</u>	<u>April 18, 2007</u>
<u>644,351</u>		

4. SHARE CAPITAL - continued

e) Warrants

As at May 31, 2002 the following warrants are outstanding:

<u>Number of shares</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
375,000	\$0.19	February 15, 2003
<u>1,573,000</u>	\$0.20	July 6, 2002
<u>1,948,000</u>		

5. RELATED PARTY TRANSACTIONS

- a) During the period the Company paid management and administrative fees of \$13,500 (2001 - \$13,500) to the directors and a company belonging to a director.
- b) During the period the Company accrued \$1,500 (2001-\$1,200) for accounting fees to a firm belonging to a director.
- c) Accounts payable at May 31, 2002 included \$3,210 (2001-\$2,554) due to a director of the Company and an accounting firm in which a director is a partner.
- d) The amount due by or to related parties are unsecured non-interest bearing and have no specific terms for repayment.

BC FORM 51-901F

QUARTERLY REPORT AND YEAR END REPORT

Incorporated as part of: _____ Schedule A

 X Schedule B & C

ISSUER DETAILS:

NAME OF ISSUER Megastar Development Corp.

ISSUER'S ADDRESS Box 865, #5 - 911 Glover Road, Fort Langley, BC V1M 2S2

ISSUER'S TELEPHONE NUMBER (604) 888-0786

CONTACT PERSON Peter Haladin

CONTACT'S POSITION Director

CONTACT TELEPHONE NUMBER (604) 888-0786

CONTACT EMAIL ADDRESS N/A WEBSITE ADDRESS N/A

FOR QUARTER ENDED May 31, 2002

DATE OF REPORT July 25, 2002

CERTIFICATE

THE SCHEDULE(S) REQUIRED TO COMPLETE THIS QUARTERLY REPORT ARE ATTACHED AND THE DISCLOSURE CONTAINED THEREIN HAS BEEN APPROVED BY THE BOARD OF DIRECTORS. A COPY OF THIS QUARTERLY REPORT WILL BE PROVIDED TO ANY SHAREHOLDER WHO REQUESTS IT. PLEASE NOTE THIS FORM IS INCORPORATED AS PART OF BOTH THE REQUIRED FILING OF SCHEDULE A AND SCHEDULES B & C.

_____ DIRECTOR'S SIGNATURE (YY/MM/DD)	Jerry A. Minni PRINT NAME IN FULL	02/07/25 DATE SIGNED
---	--------------------------------------	-------------------------

_____ DIRECTOR'S SIGNATURE (YY/MM/DD)	Peter Haladin PRINT NAME IN FULL	02/07/25 DATE SIGNED
---	-------------------------------------	-------------------------

02 AUG 15 2002

SCHEDULE B: SUPPLEMENTARY INFORMATION

1. Analysis of expenses and deferred costs:
 - a) Breakdown of expenditures by major category:
See Schedule A - Financial Statements
2. Related party transactions:
 - a) The aggregate amount of expenditures made to parties not at arm's length from the issuer:
See Schedule A - Financial Statements - Note 5

3. Summary of securities issued and options granted during the period:
 - a) Securities issued during the period:

<u>Issue Date</u>	<u>Type of Issue</u>	<u>Quantity</u>	<u>Price</u>	<u>Proceeds</u>
April 29, 2002	Stock options exercised	88,000	\$0.12	\$10,560

- b) Options granted during the period:

<u>Date granted</u>	<u>Name</u>	<u>Quantity</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
April 18, 2002	James Reamsbottom	100,000	\$0.14	April 18, 2007

4. Summary of securities at the end of the reporting period:
 - a) Authorized capital stock:
See Schedule A - Financial Statements - Note 4
 - b) Issued capital stock:
See Schedule A - Financial Statements - Note 4
 - c) Options, warrants and convertible securities outstanding:
See Schedule A - Financial Statements - Note 4
 - d) Shares in escrow of subject pooling:
See Schedule A - Financial Statements - Note 4

5. List of directors and officers

- a) Directors:

Peter Haladin
Jerry A. Minni
James Reamsbottom
Julia Harrod

- b) Officers:

President - Peter Haladin
Secretary - James Reamsbottom

SCHEDULE C: MANAGEMENT DISCUSSION

Description of Business

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable. The continued operations of the Company and the recoverability of the amounts shown for the mineral property and related deferred costs is dependent upon discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and upon future profitable production.

Discussion of Operations and Financial Conditions

During the period under review the Company did not incur any exploration expenditures.

The Company is evaluating several mineral properties in South Africa but has not finalized a deal on any properties.

The Company did not earn any income during the period while incurring expenses of \$23,933 as compared to expenses of \$31,807 during the comparative period. For a detailed analysis of expenditures refer to the financial statements.

There were no legal proceedings against the Company during the period.

The Company had terminated the investor relations agreement with Arlitt Financial Corporation in February, 2002.

The Company did not enter into any other material contracts during the period.

Subsequent Events

See Schedule A – Financial Statements – None

Financings, Principal Purposes and Milestones

\$10,560 was raised by the Company during the period from the 88,000 stock options exercised at \$0.12 per share.

Liquidity and Solvency

The Company had a working capital deficit of \$43,137 at May 31, 2002.